

April 15, 2026

PUBLIC DOCUMENT

Sasha Bergman
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **PUBLIC Comments of the Minnesota Department of Commerce**
Docket No. E017/AA-24-65

Dear Ms. Bergman:

Attached are the **PUBLIC** comments of the Minnesota Department of Commerce (Department) in the following matter:

*Otter Tail Power Company's Petition for Approval of the Annual True-Up
for its Energy Adjustment Rider, Rate Schedule 13.01.*

The Petition was filed by Otter Tail Power Company on February 27, 2026.

The Department recommends **approval** and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Dr. Sydnie Lieb
Assistant Commissioner of Regulatory Analysis

LB/ad
Attachment



Before the Minnesota Public Utilities Commission
PUBLIC Comments of the Minnesota Department of Commerce

Docket No. E017/AA-24-65

I. INTRODUCTION

On February 27, 2026, Otter Tail Power Company (Otter Tail or the Company) filed its 2025 true-up rate for the Company's Energy Adjustment Rider (EAR) (Petition) with the Minnesota Public Utilities Commission (Commission). The Company submitted its Petition pursuant to the Commission's June 12, 2019, Order in Docket No. E999/CI-03-802 and the applicable reporting requirements provided for in the rules that govern the automatic adjustment of charges, Minnesota Rules 7825.2800 to 7825.2840. Otter Tail requests the Commission approve the 2025 true-up for the Company's EAR and find the Company's filing complies with the applicable reporting requirements.

II. PROCEDURAL BACKGROUND

February 27, 2026

Otter Tail Power Company filed a Petition seeking approval of its 2025 true-up rate for the Company's Energy Adjustment Rider (EAR).

III. DEPARTMENT ANALYSIS

Otter Tail's EAR and FCA refer to essentially the same cost recovery mechanism and are used interchangeably throughout the below comments.

A. SUMMARY OF RECENT FUEL CLAUSE ADJUSTMENT REFORM

Minnesota Statutes § 216B.16, subd. 7 authorizes the Commission to allow a public utility to automatically adjust charges for the cost of fuel. Prior to 2020, utilities would (1) adjust their FCA rates monthly to reflect on a per kWh basis, deviations from the base cost of energy established in the utility's most recent general rate case, and (2) file monthly and annual reports to be reviewed for accuracy and prudence.

In 2003, the Commission initiated an investigation (Docket No. E999/CI-03-802) to explore possible changes to the FCA and invited stakeholders to comment on the purpose, structure, rationale, and relevance of the FCA. The Commission's December 19, 2017, Order in Docket No. E999/CI-03-802 approved certain reforms to the FCA mechanism. Specifically, Order Point 1 of the December 19, 2017, Order approved the Department's FCA reform proposals as follows:

- a. The Commission will set recovery of the utility's fuel, power purchase agreements, and other related costs (fuel rates) in a rate case or an annual fuel clause adjustment filing unless a utility can show a significant unforeseen impact.

- b. Each electric utility will publish the monthly fuel rates in advance each year to give customers notice of the next year's monthly electric fuel rates.
- c. The monthly fuel clause adjustment will not operate – each electric utility will charge an approved monthly rate.
- d. Utilities will be allowed to track any changes in \$/MWh fuel costs that occur over the year and there will be no carrying charge on the tracker.
- e. Annually, each electric utility will report actual \$/MWh fuel costs in each month by fuel type (including identification of costs from specific power purchase agreements) and compare the annual revenue based on the fuel rates set by the Commission with annual revenues based on actual costs for the year.
- f. Each electric utility will refund any over-collections and show prudence of costs before allowing recovery of under-collections. If annual revenues collected (\$/MWh) are higher than total actual costs, the utility must refund the over-collection through a true-up mechanism. If annual revenues collected are lower than total actual costs, the utility must show why it is reasonable to charge the higher costs (under-collections) to ratepayers through a true-up mechanism.

The Commission's December 12, 2018, Order in Docket No. E999/CI-03-802 modified the FCA reform previously approved in the Commission's December 19, 2017, Order in the same docket. In particular, the December 12, 2018, Order:

- Established a January 1, 2020, implementation date for the FCA reform.
- Required the utilities, following the implementation of the FCA reform, to file an annual true-up by March 1 of each year following the relevant calendar year.
- Discontinued the requirement for utilities to submit monthly automatic adjustment filings.
- Granted the relevant utilities a variance to Minnesota Rules 7825.2600, subp. 3, which requires that the FCA be applied to base recovery of fuel costs on a monthly basis. Under the new FCA process, the monthly FCA would be irrelevant, because, instead, the Commission would use an annual forecast of fuel costs to adjust base fuel rates annually.

The Commission's June 12, 2019, Order in Docket No. E999/CI-03-802 provided additional details to finalize the FCA reform. Specifically, the June 12, 2019, Order approved, among other things:

- Variances to Minnesota Rules 7825.2800 through 7825.2840 to accommodate the new FCA process by modifying the filing deadlines contained in these rules.
- A procedural schedule, as shown in Appendix A of the Order.
- A threshold of plus or minus 5 percent of all FCA costs and revenues to determine whether an event qualifies as a significant, unforeseen impact that may justify an adjustment to the approved fuel rates. Utilities are permitted to implement revised rates following a 30-day notice period, subject to a full refund, if no party objects to the revised rates.
- Tracking under- or over-recovered FCA costs as regulatory assets or liabilities, respectively, using FERC Account 182.3.
- Information requirements for the annual forecast and true-up filings for all electric utilities, including the reporting requirement changes outlined in Attachments 1, 2, and 3 of the March 1, 2019 joint comments¹ in Docket No. E999/CI-03-802 and the requirement that the annual true-up filings include a complete analysis and discussion of the consequences of self-commitment and self-scheduling of generators, including the annual difference between production costs and corresponding prevailing market prices.
- Tariff changes reflected in Attachments 4, 5, and 6 of the March 1, 2019, joint comments² in Docket No. E999/CI-03-802.
- Discontinuation of Otter Tail's reporting of Part D, Section 5 (MISO Day 1); Part E, Section 10, Attachment G (UCAP); Part H, Section 6, Attachments N and O (generation deliverability and IRP-related); and Part H, Section 8 (transformers).

¹ *In the Matter of the Commission's December 12, 2018, Order regarding the FCA Reform – Requiring Electric Utilities and Consumer Advocates to Address Four Compliance Issues, with Additional Recommendations on Reporting Requirements, Final 2019 True-Ups and Tariff Changes to Reflect the FCA Reform Process*, Otter Tail Power Company, Joint Comments, March 1, 2019, Docket No. E-999/CI-03-802, Attachment 2 (eDockets) [20193-150778-01](#).

² *In the Matter of the Commission's December 12, 2018, Order regarding the FCA Reform – Requiring Electric Utilities and Consumer Advocates to Address Four Compliance Issues, with Additional Recommendations on Reporting Requirements, Final 2019 True-Ups and Tariff Changes to Reflect the FCA Reform Process*, Otter Tail Power Company, Joint Comments, March 1, 2019, Docket No. E-999/CI-03-802, Attachment 5 reflects Otter Tail Power's current EAR Rate Schedule, Section 13.01, as approved by the Commission's June 12, 2019, Order in the same docket (eDockets) [20193-150778-01](#). (Attachment 4 to the instant Petition is the approved twenty-second revision of the Company's EAR tariff).

The June 12, 2019, Order also permitted utilities to provide wind curtailment reporting as part of their annual true-up filings and required Otter Tail to submit, no later than January 31, 2020, a single true-up filing covering the period of July 1, 2018, through December 31, 2019. The Commission directed the Company to apply the per kWh charge/credit resulting from the under-/over-recovery of this 18-month true-up to the applicable monthly rates for the period of March 1, 2020, through February 28, 2021. If any balance from this 18-month true-up remained on February 28, 2021, Otter Tail would be required to include that remaining balance in its subsequent annual true-up under the FCA reform.

On May 1, 2020, in Docket No. E017/AA-20-462, Otter Tail filed its initial petition requesting approval of its annual forecast for its EAR. The Company's Rate Schedule Section 13.01 provides for the EAR. In its May 1, 2020 filing, the Company forecasted 5,070,631 MWhs in sales and \$106,475,294 in total system fuel and purchased power costs, for an average fuel and purchased power cost per MWh of \$20.998.³ Subsequently, in reply comments filed August 14, 2020, in the same docket, Otter Tail revised its forecasted 2021 system fuel and purchased power costs to \$102,058,949, an estimate which reduced the average fuel and purchased power cost per MW to \$20.891.⁴ The Commission approved Otter Tail's 2021 forecast, as revised in the Company's August 14, 2020 reply comments, in its December 31, 2020 Order in Docket No. E017/AA-20-462.

Pursuant to the Commission's June 12, 2019, Order in Docket No. E999/CI-03-802, on January 30, 2020, Otter Tail filed a compliance report in Docket No. E017/M-03-30 with the required July 1, 2018, through December 31, 2019, FCA true-up. This true-up showed a refund due to customers of \$1,410,325, which corresponded to a credit of \$0.0005 per kWh. Otter Tail applied the credit to the monthly rates charged for sales subject to EAR/FCA during the period of March 1, 2020, through February 28, 2021. In its May 22, 2020, Order in Docket No. E017/M-03-30, the Commission approved the Company's compliance report and annual true-up credit of \$0.0005 per kWh.

On May 14, 2020, in Docket No. E017/AA-19-297, Otter Tail submitted a filing requesting approval to reduce its fuel cost charges for the period of July through September 2020 to reflect an over-collection of \$3,676,903⁵ accrued through the EAR/FCA between January and March 2020. In its July 13, 2020, Order, the Commission approved the refund, resulting in a \$0.0057 per kWh reduction to Otter Tail's EAR rates for that period. Subsequently, on October 12, 2020, in the same docket, Otter Tail requested

³ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail's initial May 1, 2020, filing, Table 2, in Docket No. E017/AA-20-462 (eDockets) [2025-162753-02](#).

⁴ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail's August 14, 2020, filing, Table 1, in Docket No. E017/AA-20-462 (eDockets) [20208-165892-01](#).

⁵ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail's May 14, 2020, Supplemental filing, Attachment 1, in Docket No. E017/AA-19-297, (eDockets) [20205-163184-01](#).

approval to refund an additional \$8,383,674⁶ to account for over-collections between April and September 2020. In its November 16, 2020, Order, the Commission approved this additional refund, resulting in a \$0.0061 per kWh reduction to the Company's EAR/FCA rates for the period of January through June 2021 EAR/FCA rates by \$0.0061 per kWh.

On February 26, 2021, Otter Tail filed its 2020 True-Up of Energy Adjustment compliance filing seeking approval to refund (\$1,246,144) of estimated remaining over-recoveries from 2020 and Otter Tail's prior year true-up period. Otter Tail proposed a reduction of the September 2021 through August 2022 EAR by a rate of (\$0.0005) per kWh. The Commission approved Otter Tail's compliance filing authorizing the refund over the four-month period of September 1 through December 2021 with a reduction to EAR by a rate of (\$0.0014) per kWh.

On March 1, 2022, Otter Tail filed its 2021 FCA/EAR true-up filing in Docket No. E017/AA-20-462, seeking approval to collect \$700,126 of estimated remaining under-recoveries from 2021 and Otter Tail's prior year true-up periods. Otter Tail proposed the collection of under-recoveries over a four-month period from September 1, 2022, through December 31, 2022, with a true-up charge factor of \$0.0008 per kWh. The Commission approved Otter Tail's compliance filing authorizing the collection over the four-month period of September 1 through December 2022 with an increase to EAR by a rate of \$0.0008 per kWh.

On July 27, 2022, Otter Tail filed a supplemental filing proposing a revision to its 2022 EAR rates for September through December 2022. The supplemental filing was in response to higher than forecasted energy costs due to higher gas prices and wholesale energy market prices, to reduce the year-end under-collection, which they were projecting to be \$10.1 million.⁷ Per Ordering Point 3 in Docket No. E999/CI-03-802 and Ordering Point 6 in the Commission's December 2, 2021, Order in Docket No. E017/AA-21-311, no party objected following a 30-day notice period, so Otter Tail implemented the revised rates.⁸

On February 28, 2023, Otter Tail filed its 2022 FCA/EAR true-up filing in Docket No. E017/AA-21-311, seeking approval to collect \$9,411,883 of estimated remaining under-collection from 2022. Otter Tail proposed the collection of under-recoveries over a twelve-month period from September 1, 2023, through August 31, 2024, with a true-up charge factor of \$0.0036 per kWh. The Commission approved Otter Tail's compliance filing authorizing the collection over the twelve-month period of September 2023 through August 2024 with an increase to EAR by a rate of \$0.0036 per kWh.

⁶ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail's October 12, 2020, Supplemental filing, Attachment 1, in Docket No. E017/AA-19-297, (eDockets) [202010-167233-01](#).

⁷ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail Power Company, Supplemental Filing, July 27, 2022, Docket No. E017/AA-21-311, at 1. (eDockets) [20227-187843](#), at 1.

⁸ *Ibid.*

On July 24, 2023, Otter Tail filed a supplemental filing in Docket No. E017/AA-22-214, proposing a revision to its 2023 EAR rates for September 2023 through August 2024. The supplemental filing was in response to lower than forecasted energy costs due to lower gas prices and wholesale energy market prices, to reduce the year-end over-collection, which they were projecting to be \$8.46 million.⁹ Per Ordering Point 3 in Docket No. E999/CI-03-802, no party objected following a 30-day notice period, so Otter Tail implemented the revised rates, which reduced the EAR rates by (\$0.003275) per kWh.¹⁰

On March 1, 2024, Otter Tail filed its 2023 FCA/EAR true-up filing in Docket No. E017/AA-22-214, seeking approval to refund \$5,201,983 of estimated remaining over-collection from 2023. Otter Tail proposed the refund of over-recoveries over a twelve-month period from September 1, 2024, through August 31, 2025, with a true-up factor of \$0.0020 per kWh. The Commission approved Otter Tail's compliance filing authorizing the refund over the twelve-month period of September 2024 through August 2025 with a reduction to EAR by a rate of (\$0.0020) per kWh.

On May 30, 2024, Otter Tail filed a supplemental filing in Docket No. E017/AA-23-181, proposing a revision to its 2024 EAR rates for July through December 2024. The supplemental filing was in response to lower than forecasted energy costs due to lower gas prices and wholesale energy market prices, to reduce the year-end over-collection, which they were projecting to be \$12 million for the period January to April 2024.¹¹ Per Ordering Point 3 in Docket No. E999/CI-03-802, no party objected following a 30-day notice period, so Otter Tail implemented the revised rates, which reduced the EAR rates by (\$0.009120) per kWh.¹²

On November 22, 2024, Otter Tail filed a supplemental filing in Docket No. E017/AA-23-181, proposing a revision to its 2024 EAR rates for January through June 2025. The supplemental filing was in response to lower than forecasted energy costs due to lower gas prices and wholesale energy market prices, to reduce the year-end over-collection, which they were projecting to be \$9.9 million for the period May to October 2024.¹³ Per Ordering Point 3 in Docket No. E999/CI-03-802, no party objected following a 30-day notice period, so Otter Tail implemented the revised rates, which reduced the EAR rates by (\$0.007200) per kWh.¹⁴

⁹ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail Power Company, Supplemental Filing, July 24, 2023, Docket No. E017/AA-22-214, (eDockets) [20237-197711](#), at 1.

¹⁰ *Ibid.*

¹¹ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail Power Company, Supplemental Filing, May 30, 2024, Docket No. E017/AA-23-181, (eDockets) [20245-207237](#), at 1.

¹² *Ibid.*

¹³ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail Power Company, Supplemental Filing, November 22, 2024, Docket No. E017/AA-23-181, (eDockets) [202411-212295-01](#), at 1.

¹⁴ *Ibid.*

On February 28, 2025, Otter Tail filed its 2024 FCA/EAR true-up filing in Docket No. E017/AA-23-181, seeking approval to recover \$774,941 of estimated remaining under-collection from 2025. Otter Tail proposed to recover this amount over a twelve-month period from September 1, 2025, through August 31, 2026, with a true-up factor of \$0.0030 per kWh. The Commission approved Otter Tail's compliance filing authorizing the refund over the twelve-month period of September 2025 through August 2026 with a rate of \$0.0030 per kWh.

On July 28, 2025, Otter Tail filed a supplemental filing in Docket No. E017/AA-24-65, proposing a revision to its 2025 EAR rates for September 2025 through December 2025. The supplemental filing was in response to lower than forecasted fuel costs driven by natural gas prices and Location Marginal Prices (LMPs) being substantially lower than forecast.¹⁵ Per Ordering Point 3 in Docket No. E999/CI-03-802, no party objected following a 30-day notice period, so Otter Tail implemented the revised rates, which reduced the EAR rates by \$5.4 million or (\$0.006400) per kWh.¹⁶

On November 26, 2025, Otter Tail filed a second supplemental filing in Docket No. E017/AA-24-65, proposing a second revision to its 2025 EAR rates for January 2026 through April 2026. The supplemental filing was in response to lower than forecasted fuel costs driven by natural gas prices and LMPs being substantially lower than forecast.¹⁷ Per Ordering Point 3 in Docket No. E999/CI-03-802, no party objected following a 30-day notice period, so Otter Tail implemented the revised rates, which reduced the EAR rates by \$2.8 million or (\$0.002900) per kWh.¹⁸

The current Petition provides the true-up between the Company's actual fuel and purchased power cost recovery through its EAR/FCA and the actual corresponding fuel and purchased power costs incurred by Otter Tail for the period of January 1 through December 31, 2025.

B. PURPOSE OF OTTER TAIL'S PETITION

Otter Tail explained that the purpose of the current Petition is to (1) demonstrate that its fuel and purchased power costs were reasonable and prudent; (2) request Commission approval of its 2025 FCA true-up, reflecting a \$3,719,144 under-collection and a resulting proposed true-up factor of \$0.0013 per kWh, to be applied to sales subject to the EAR/FCA from September 1, 2026, through August 31, 2027;¹⁹ and (3) request Commission approval of its EAR/FCA true-up compliance reporting required

¹⁵ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail Power Company, Supplemental Filing, July 28, 2025, Docket No. E017/AA-25-65, (eDockets) [20257-221498-01](#), at 1.

¹⁶ *Ibid.*

¹⁷ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail Power Company, Supplemental Filing, November 26, 2025, Docket No. E017/AA-24-65, (eDockets) [202511-225321-01](#), at 1.

¹⁸ *Ibid.*

¹⁹ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail Power Company, Compliance Filing, February 27, 2026, Docket No. E017/AA-24-65, (eDockets) [20262-228801-02](#), at 2 (hereinafter "Petition").

under Minnesota Rules 7825.2800 – 7825.2840 and applicable Commission orders.²⁰ The Department addresses each of these areas in the sections that follow.

C. PRUDENCY AND REASONABLENESS OF OTTER TAIL’S ACTUAL 2025 FUEL AND PURCHASED POWER COSTS

Otter Tail’s proposed true-up reflects several adjustments, including an initial over-collection in 2025, supplemental refunds issued in 2025, a projected supplemental refund in 2026 related to 2025 costs, and remaining collection/refund balances from prior periods. Together, these adjustments result in a total under-collection of \$2,553,919 for 2025. The initial 2025 over-collection occurred because Otter Tail’s actual fuel and purchased power costs were lower than the forecasted costs approved by the Commission and used to establish the 2025 energy adjustment rates. To address this over-collection, Otter Tail submitted two supplemental filings: the first on July 28, 2025, proposing to refund approximately \$5.2 million for the period September 2025 through December 2025, and the second on November 26, 2025, proposing to refund approximately \$2.8 million²¹ for the period of July through October 2025. According to the Company, the over-recovery of 2025 fuel and purchased power costs occurred primarily because:

- The actual average fuel cost of \$21.49 per MWh was 10.08 percent lower than the approved rate of \$23.90 MWh, driven by natural gas prices and LMPs being substantially lower than forecast.²²

The following table summarizes and compares select energy sales and cost data relevant to Otter Tail’s 2025 EAR/FCA true-up:

Table 1: Comparison of Select Actual and Forecasted Total Company Data for Otter Tail’s 2025 Fuel Clause Adjustment True-Up²³

| | Actual | Forecast | Variance | Variance % |
|--|----------------------|----------------------|-----------------------|-------------------|
| Average Cost Per MWh | \$21.49 | \$23.90 | \$2.41 | (10.08%) |
| MWh Sales | 5,920,133 | 5,885,378 | 34,755 | 0.59% |
| Total Cost (Fuel & Purchased Power) | \$127,206,362 | \$140,775,337 | (\$13,568,975) | (9.64%) |

Table 1 shows Otter Tail’s actual 2025 MWh sales were 0.59 percent higher than forecasted and the Company’s total system actual fuel and purchased power costs recoverable through the EAR/FCA for

²⁰ Petition, at 3 and 4.

²¹ *In the Matter of Otter Tail Power Company’s Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail Power Company, Supplemental Filing, November 26, 2025, Docket No. E017/AA-24-65, (eDockets) [202511-225321-01](#), at 1

²² Petition at 6.

²³ Data in Department Table 1 retrieved from Petition Table 3.

2025 were 9.64 percent lower than the forecasted 2025 costs. Of the \$127,206,362 in actual 2025 fuel and purchased power costs, \$60,092,464 are allocated to Minnesota.²⁴

The Company’s actual and forecasted 2025 fuel and purchased power costs and offsetting credits/revenues can be broken into several major categories, as summarized in the following table:

Department Table 2: Otter Tail’s Actual and Forecasted Total Company 2025 Fuel and Purchased Power Costs and Offsetting Credits/Revenues by Major Category²⁵

| Fuel and Purchased Power Cost, Credit, or Revenue Category | 2025 Actual (A) | 2025 Forecast (B) | Percentage Difference (A-B)/B |
|--|-----------------|-------------------|-------------------------------|
| Plant Generation Costs | 75,047,565 | 67,931,783 | 10.47% |
| Purchased Power Costs ²⁶ | 102,409,214 | 96,130,445 | 6.53% |
| Wholesale Market Costs/Credits) | (21,008,627) | (12,593,377) | 66.82% |
| Wind Curtailment Costs | 41,596 | 127,718 | -67.43% |
| Credit for Fuel Costs of Asset-Based Sales | (12,488,597) | (3,578,780) | 248.96% |
| Revenue Margin on Asset-Based Sales | (6,933,113) | (4,865,641) | 42.49% |
| MISO Ancillary Services Market Revenue | (2,572,319) | (474,493) | 442.12% |
| Steam Plant Regents Costs | 3,900,605 | 3,098,881 | 25.87% |
| Revenue Margin on Steam/Water Sales | (1,194,314) | (1,264,591) | -5.56% |
| Revenue Margin on Planning Resource Auction | (6,252,344) | - | N/A |
| Hoot Lake Solar Generation Credit | (3,743,304) | (3,736,608) | 0.18% |
| | | | |
| Total Cost, Net Credits and Revenues | \$ 127,206,362 | \$ 140,775,337 | -9.64% |

Department Table 2 shows that Otter Tail’s actual 2025 plant generation and purchased power costs were the two largest components of the Company’s total net fuel and purchased power costs. Plant generation actual costs were 10.47 percent greater than forecast and purchased power actual costs exceeded the forecast by 6.53 percent. Despite these increases, substantially lower wholesale market

²⁴ Petition, at 1-2 and Attachment 1.

²⁵ Data in Department Table 2 retrieved from Petition Attachment 2.

²⁶ Includes purchase power agreements, shared loads, Bilateral purchases, MISO and SPP Market purchases.

charges resulted in total actual fuel and purchase power costs net of credits and revenues coming in nearly \$13.6 million below forecast.²⁷

Otter Tail provided data in its Petition indicating that the average actual on-peak and off-peak LMPs for the second half of 2025 were substantially higher than forecasted. The Company stated that the increase in LMPs was driven by rising natural gas prices and co-owner requests for self-commitment.²⁸ Otter Tail further explained that, despite ongoing congestion impacts, both Coyote Station and Big Stone Plant experienced significant increases in LMP pricing in 2025 compared to 2024.²⁹

Based on this information, the Department concludes that Otter Tail's actual 2025 fuel and purchased power costs, recoverable through the EAR/FCA are reasonable. The observed increases in LMPs and associated costs are consistent with market conditions and operational factors reported by the Company, while the lower wholesale market charges demonstrate prudent overall management of fuel and purchased power in 2025.

D. OTTER TAIL'S 2025 FUEL CLAUSE ADJUSTMENT TRUE-UP

As of August 31, 2025, the Company reported an estimated remaining under-recovery of (\$807,136)³⁰ for 2023 and a projected under-recovery of (\$358,088) for 2024.³¹ As discussed above, Otter Tail submitted two supplemental filings to reduce EAR rates. In its July 28, 2025, filing, the Company proposed a reduction of \$0.006400 per kWh for the period of September through December 2025, resulting in a total refund of (\$5,205,435).³² In a subsequent filing on November 26, 2025, Otter Tail requested an additional reduction of \$0.002900 per kWh, which it estimated would refund an additional (\$2,858,231) to customers.

Notwithstanding these reductions, in the current Petition, Otter Tail requests approval to charge customers a total under-recovery of \$2,553,919. The Company attributes this under-recovery to variances between its forecasted and actual 2025 costs and provides a 2025 true-up calculation demonstrating how it arrived at the proposed amount. This calculation is summarized in the table below.

²⁷ Petition, Attachment 2.

²⁸ Petition Appendix E page 24.

²⁹ Petition Appendix E page 35.

³⁰ Department Table 3, line D, (\$807,136).

³¹ Department Table 3, lines E + F, (\$906,855) + 548,767 = (\$358,088).

³² Department Table 3, lines C + G + H + I = (\$2,553,919).

Department Table 3: Otter Tail’s 2025 Fuel Clause Adjustment True-Up Factor³³

| True-Up Component | Amount |
|--|---------------------|
| Total 2025 Recovery from Forecasted EAR (A) | \$ 65,602,211 |
| Actual 2025 Energy Cost (MN Share) (B) | \$ 60,092,464 |
| 2025 Over/(Under) Recovery before Refund (A-B) = (C) | \$ 5,509,747 |
| Cumulative Over/(Under) through 2023 True-Up Collected (D) | \$ (807,136) |
| Cumulative Over/(Under) through 2024 True-Up Collected (E) | \$ (906,855) |
| Projected Cumulative Over/(Under) through 2024 True-Up (F) | \$ 548,767 |
| Cumulative Over/(Under) through 2025 May Supplemental Collected Revenue (G) | \$ (5,205,435) |
| Cumulative Over/(Under) through 2025 November Supplemental Projected Revenue (H) | \$ (2,858,231) |
| Small Scle Solar Credit (I) | \$ - |
| Current Projected Over/(Under) to Customers (C+D+E+F+G+H+I) = (J) | \$ (3,719,143) |
| Forecasted Applicable kWh Sales for September 2026 - August 2027 (K) | \$ 2,761,945,008 |
| Proposed True-Up Factor (J/K) | \$ 0.0013 |

Otter Tail requests the proposed \$0.0013 true-up be effective September 1, 2026, through August 31, 2027. The Department verified Otter Tail’s 2025 true-up calculation followed the true-up methodology provided for in the Company’s approved EAR Rate Schedule, Section 13.01.³⁴ Specifically, the Department confirmed Otter Tail’s 2025 EAR/FCA true-up calculation:³⁵

- Was based on a historical twelve-month period (January 1 through December 31, 2025).
- Compared the actual and approved forecasted costs and credits/revenues to arrive at the under-recovered amount.
- Divided the under-recovered amount by the forecasted Minnesota kWh subject to the EAR/FCA forecasted kWh for the proposed twelve-month period during which the true-up factor would be applied, (September 2026 through August 2027) to arrive at the true-up factor per kWh.

The Department concludes Otter Tail correctly calculated its 2025 EAR/FCA true-up and the proposed true-up factor amount is reasonable. We recommend the Commission approve the Company’s proposed net true-up under-recovery amount of \$3,719,144 with a corresponding true-up collection of \$0.0013 to be effective on September 1, 2026.

³³ Data in Department Table 3 retrieved from Petition Table 14 and Attachment 1.

³⁴ Petition Attachment 4 contains the EAR Rate Schedule, Section 13.01.

³⁵ Otter Tail’s 2025 true-up calculation is shown in Petition Attachment 1.

E. COMPLIANCE WITH REPORTING REQUIREMENTS

The Department verified the current Petition included the information required per the following:

- Minnesota Rules 7825.2800 - 7825.2840, as revised on pages 3 - 4 and approved in Point 1 of the Commission's June 12, 2019, Order in Docket No. E999/CI-03-802.³⁶
- Annual FCA true-up general reporting guidelines, as outlined on page 7 and approved in Point 5 of the Commission's June 12, 2019, Order in Docket No. E999/CI-03-802.³⁷
- Annual FCA true-up reporting compliance matrix specific to Otter Tail, as shown in Attachment 2 of the March 1, 2019, joint comments and approved in Point 7 of the Commission's June 12, 2019, Order in Docket No. E999/CI-03-802.³⁸

The Department concludes Otter Tail's Petition complies with the applicable reporting requirements and recommends the Commission approve the compliance reporting portions of the Company's Petition.

F. MAINTENANCE EXPENSES OF GENERATION PLANTS AND CORRELATION TO INCREMENTAL FORCED OUTAGE COSTS (IN THE MATTER OF THE REVIEW OF THE 2005 AAA OF CHARGES FOR ALL ELECTRIC UTILITIES, DOCKET NO. E999/AA-06-1208)

In its February 6, 2008, Order in Docket No. E999/AA-06-1208, the Commission required all electric utilities subject to automatic adjustment filing requirements, except for Dakota Electric, to include in future annual automatic adjustment filings the actual expenses pertaining to maintenance of generation plants, with a comparison to the generation maintenance budget from the utility's most recent rate case. The Commission established this reporting requirement in response to the dramatic increase in investor-owned utility outage costs during fiscal years 2006 and 2007.

When a generation plant experiences a forced outage, the utility must replace the megawatt hours that plant would have otherwise produced. The utility typically replaces these lost megawatt hours through wholesale market purchases. The cost of those market purchases flows through the EAR/FCA, directly to ratepayers. The high outage costs incurred by investor-owned utilities in fiscal years 2006

³⁶ Provided in Petition Appendix A-Section 2, and Appendix B.

³⁷ Provided in Petition Attachment 2, Attachment 3, Attachment 13, and Appendix D – Section 7.

³⁸ *In the Matter of an Investigation into the Appropriateness of Continuing to Permit Electric Energy Cost Adjustments*, Point 7 of the Commission's June 12, 2019, Order in Docket No. E-999/CI-03-802 also stated that "each Electric Utility shall provide a complete analysis and discussion of the consequences of self-commitment and self-scheduling of their generators, including the annual difference between production costs and corresponding prevailing market prices." The Company provided this analysis and discussion in its March 1, 2021, filing in Docket No. E999/CI-19-704. All other true-up reporting compliance required by Attachment 2 of the March 1, 2019, joint comments can be found in Attachments 1-18 and Appendix A, B, and C of the Petition.

and 2007 raised questions as to whether the utilities were (1) maintaining plants appropriately to prevent forced outages, and (2) spending as much on plant maintenance as they were charging to their customers in base rates. The Commission agreed with the Department and the Large Power Intervenors that “utilities have a duty to minimize unplanned facility outages through adequate maintenance and to minimize the costs of scheduled outages through careful planning, prudent timing, and efficient completion of scheduled work.”³⁹

The Department summarizes Otter Tail’s generation maintenance expenses for select years in the following table:

Department Table 4: Comparison of Otter Tail’s Generation Maintenance Expense⁴⁰
(\$ Millions)

| Approved Annual Generation Maintenance Expense per 2021 Rate Case Test Year (A) | Actual Average 2023 - 2025 Generation Maintenance Expense (B) | Difference (B-A)/A |
|---|---|--------------------|
| \$19.9 | \$20.4 | 3% |

Department Table 4 shows that Otter Tail’s actual average 2023 to 2025 generation maintenance expenses of \$20.4 million were approximately 3 percent higher than the \$19.9 million provided for in the Company’s base rates approved in Docket No. E017/GR-20-719.

The Department compared Otter Tail’s forecasted to actual planned outages, with the only difference being a forecast for two separate 3-day boiler washes at Coyote Station which were not done. The Department reviewed Otter Tail’s forced outages and noted the Company has eight forced outages in excess of 24 hours in 2025 – three at Big Stone and five at Coyote Station. Otter Tail estimates the aggregate cost of the replacement power for the eight forced outages for 2025 was **[TRADE SECRET DATA HAS BEEN EXCISED]**.⁴¹ The Department reviewed Otter Tail’s Attachment 13 outage information and notes that five outages were related to tube leaks, one from a valve leak, one caused by a boiler plugging, and associated with a June 20, 2025 storm that caused a transmission outage. Based on our review the Department notes that the outages were all short-term outages of 8 days or less, the overall costs were not significant, and we didn’t see anything that supported human errors or negligence by the Company. As a result, the Department concludes the Company’s replacement power costs corresponding to the 2025 generation forced outages were reasonable under the circumstances.

The Department intends to continue to monitor the difference between investor-owned utilities’ actual and approved generation maintenance expenses in future FCA true-up filings.

³⁹ *In the Matter of the Review of the 2006 Annual Automatic Adjustment of Charges for All Electric and Gas Utilities*, Public Utilities Commission, Order, February 6, 2008, Docket No. E,G-999/AA-06-1208, (eDockets) [4928266](#), at 5.

⁴⁰ Data in Department Table 4 retrieved from Petition Attachment 12.

⁴¹ Petition, Appendix D Section 7.2, page 21.

IV. DEPARTMENT RECOMMENDATIONS

Based on our review, the Department concludes (1) Otter Tail's actual fuel and purchased power costs, including revenues and credits, for 2025 were reasonable and prudent, (2) Otter Tail correctly calculated its 2025 fuel clause adjustment true-up, the resulting true-up under-collection amount of \$3,719,144 is reasonable, and (3) Otter Tail's Petition complies with the applicable reporting requirements. Therefore, the Department has prepared recommendations, which are provided below. The recommendations correspond to the subheadings of Section III above.

A. *PRUDENCY AND REASONABLENESS OF OTTER TAIL'S ACTUAL 2025 FUEL AND PURCHASED POWER COSTS*

- Find that Otter Tail's actual 2025 fuel and purchased power costs recoverable through the EAR/FCA were reasonable and prudent for 2025.

B. *OTTER TAIL'S 2025 FUEL CLAUSE ADJUSTMENT TRUE-UP*

- Approve Otter Tail's EAR/FCA 2024 true-up, the resulting under recovery amount of \$3,719,144 and true-up charge of \$0.0013 per kWh.
- Allow Otter Tail to collect the \$3,719,144 true-up under-recovery over a twelve-month period, from September 1, 2026, through August 31, 2027.

C. *COMPLIANCE WITH REPORTING REQUIREMENTS*

- Approve the compliance reporting portions of Otter Tail's Petition.⁴²

⁴² Compliance reporting requirements outlined on Petition, page 21.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of people by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Public Comments**

Docket No. E017/AA-24-65

Dated this 15th day of **April 2026**

/s/Sharon Ferguson

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